



Interoffice
Memorandum

Confidential Communications
Attorney-Client Privilege

To: Andy Fastow

From: Jordan Mintz

Department: Enron Global Finance-Legal

Subject: LJM Proxy Disclosures (2002)

Date: June 5, 2001

What follows below is a summary of the key steps to be taken so as to minimize any related-party and proxy disclosure Enron would be required to make in 2002 with respect to transactions executed with LJM 1 and 2 (collectively, the "LJM Entities") during 2001. Such steps are being taken in order to be responsive to certain commercial changes occurring at Enron. In that regard, it is intended that such approach would (i) cause the LJM Entities to cease to be related persons whose transactions with Enron are required to be disclosed for financial statement footnote purposes, and (ii) liquidate your interest in the LJM Entities in a fashion that minimizes the extent to which such interest must be described (except to note its disposition) in the proxy statement for next year's annual meeting.

Proposal

As you may recall, this year Enron and LJM2 have executed two transactions—one relating to the restructuring of Raptor and the other with respect to the repurchase of the Merlin CLO equity. The steps listed below are premised on all other pending transactions between Enron affiliates and the LJM Entities being frozen prior to such steps being implemented. (Raptor will continue to be disclosed in the 10-Q and year-end 10-K, and it is also likely the CLO equity repurchase will need to be disclosed in the second quarter 10-Q and year-end 10-K). However, if your interest in the LJM Entities is eliminated without recognizing value attributable to 2001 transactions, we do not anticipate that any material disclosure would be required in the 2002 proxy statement for the annual meeting, other than noting the unwind of your interest in LJM, assuming all of the following steps are taken:

(1) No "value", i.e. distributions, has been taken out of LJM by you this year and the purchase price paid by Michael Kopper does not reflect any amount attributable to 2001 transactions between Enron and the LJM Entities;

(2) The purchase of your entire interest in the LJM Entities by Michael Kopper will not be financed by you (or any person whose interest would be attributable to you for reporting purposes, such as family members) or Enron; and

(3) Michael will no longer be an employee of Enron or retain any material contractual relationship with the Company going forward.

In this manner, any proxy disclosure in 2002 is, again, likely to be limited to a notification of your termination of your interest in LJM, while -- with respect to the 10-Q/10-K -- earlier transactions will continue to be disclosed until they settle.

After you have had a chance to review this summary, please contact me with any questions/comments you may have. We should also discuss coordination and implementation matters

Cc: Rick Buy
Jim Derrick
Rob Walls

Rick Causey
Rex Rogers
Ron Astin (Vinson & Elkins)

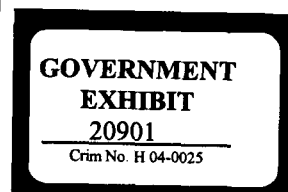
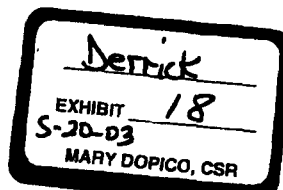
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